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SUBJECT: BAKU HOSTS ISLAMIC DEVELOPMENT BANK INVESTMENT
CONFERENCE

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Classified By: DCM Jason P. Hyland for reasons 1.4 b and d.

11. (C) SUMMARY: The Azerbaijani Ministry of Economic Development hosted an investment conference for Islamic Development Bank members November 8-9 in Baku. The event included a trade exhibition, large-group presentations on potential investment projects, and sector-specific break-out sessions for interested investors. After a series of opening remarks highlighting the positive Azerbaijani investment climate, Azerbaijani businesspeople presented investment proposals in the fields of agriculture, livestock, IT, industry, tourism, and construction. The conference reflects three trends: the GOAJ's rising desire to attract foreign investment in non-energy sectors; Baku's desire to showcase its image as a wealthy, modernizing Muslim state; and the "multivector" nature of GOAJ foreign policy. END SUMMARY.

Background

12. (U) Azerbaijan's Ministry of Economic Development--in concert with the Islamic Development Bank (IDB)--hosted an investment conference in Baku November 8-9. Several hundred local entrepreneurs and representatives from at least thirteen IDB member countries gathered to discuss potential investment projects in Azerbaijan. The conference included a trade exhibition of local Azerbaijani businesses, large-group presentations on potential investment projects, and sector-specific break-out sessions for interested investors to consult with local business representatives. It was the second IDB conference in Azerbaijan; the first conference was held in October 1996.

Opening Remarks Highlight Opportunities

13. (U) After a Koranic recitation, Minister of Economic Development Heydar Babayev welcomed conference participants, reading a message from President Aliyev (who was on an official visit to Brussels that day). Aliyev's statement emphasized Azerbaijan's positive investment environment, noting that the country enjoys one of the world's highest economic growth rates. Aliyev's statement also said Azerbaijan was implementing economic and democratic reforms that would enable it to integrate into the world economy and become a regional economic center. Aliyev expressed his hope that the conference "would open new economic horizons" for Azerbaijan.

¶4. (U) IDB President Dr. Ahmad Mohammad Ali's opening remarks reminded participants that the conference aimed to bring new investments to Azerbaijan. Ali noted Azerbaijan's impressive economic growth, stating that the country's GDP has risen at an average rate of 13 percent per year over the past five years. Ali stated that the IDB aims to bring member countries' banking practices into closer conformity with Shariah principles. Accordingly, an IDB mission will be coming to Azerbaijan in the near future to provide assistance in this area.

¶5. (SBU) Ruslan Seyidov--the Azerbaijani spokesperson for local businesses represented at the conference--provided several opening comments. He emphasized that there were tremendous investment opportunities, while noting that the GOAJ had helped "create the conditions and policies" for economic success. He cited the fields of information technology, transportation, agriculture, and tourism as particularly promising investment fields. Seyidov closed by stating that the GOAJ's goal for the conference is to "integrate into the world system on a peer or equal basis" with potential investors. (Comment: Seyidov's point on Azerbaijan being accepted "on a peer or equal basis" is reflective of Baku's foreign policy orientation--see para 8.)

¶6. (U) Deputy Minister of Economic Development Mikayil Jabbarov wrapped up the concluding remarks by noting that the tourism, IT, pharmaceutical, and textile sectors present key investment opportunities. He briefly noted that the GOAJ seeks to create an institution based on Shariah principles that would further help to attract IDB investment. (Comment: It is doubtful that the adoption of any form of Sharia law,

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including in the banking sector, is really part of the GOAJ's vision.)

Down to Business

¶7. (U) Approximately one-quarter of the conference was devoted to large-group sessions for local businesses to brief attendees on their investment proposals. The quality of the presentations varied considerably. Most of the proposals focused on the agricultural, livestock, IT, industrial, tourism, or construction sectors. The following summary represents a sampling of the better projects:

¶A. Azersun Holding provided the most impressive proposal. The company proposed creating a factory in the Imishli region that would use byproducts (sugar beet pulp and molasses) from its Imishli sugar factory to produce animal feed and oil extracts. (Note: Per Ref A, the Imishli sugar factory is one of the few non-oil sector success stories in Azerbaijan. The factory has worked closely with the U.S. company Valmont Industries, Inc. and also supplies all of Coca-Cola and Pepsi-Cola's sugar needs in Azerbaijan.) The company representative said the factory would create 100 new jobs and would cost approximately 6 million USD.

¶B. The Ramil 88 company proposed creating a large farm outside of Baku as a premier slaughterhouse and research facility for raising the quantity and quality of beef through artificial insemination.

¶C. Ata Holding presented a 36 million USD dollar project to construct an adjoining convention and business center in downtown Baku. The company's vision is to create a central location for hosting trade delegations, conferences, and fairs. The Ata Holding representative briefed that the project would create 300-500 new jobs, while boosting the business and tourism climate in Baku.

¶D. A representative from 2M Engineering proposed creating an "Intellectual and Business Hub" in the heart of Baku. This

would be a 12-story building with high-tech office space, conference space, and an exhibition area.

¶E. Billur Electronics, which owns Azerbaijan's only electronics factory, briefed on its 10 million USD proposal to restructure the company and purchase new equipment. The factory seeks to produce high quality TV's, computers, calculators, and LCD screens.

¶F. The Aliksoft company's proposal focused on creating a cable television network covering all of Azerbaijan. The network would be delivered through fiber optic cables.

¶G. Ultra Computers' 5 million USD project seeks to create a laptop and computer monitor manufacturing plant. The company, which works in several CIS states, has been a leading technology company in bringing wireless internet access to Western energy firms and Baku-based universities, according to Ultra Computer's President Tahir Mirkishili.

¶H. Caspian Service made a 4.2 million USD proposal to invest in the construction of the Gasr (castle) resort and spa complex located near Ganja. The proposed facility represents the GOAJ's interest in advancing its tourism sector.

¶I. The Caspian Tour company proposed a 9.7 million USD resort and spa complex on the shore of the Caspian Sea, just 30 km south of Baku. The facility would include 400 rooms.

What's behind the Conference?

¶8. (C) The IDB conference is significant at three levels. First, the conference highlights the GOAJ's interest in drawing foreign investment in a range of bilateral and multilateral forums. As Azerbaijan seeks to develop its non-energy sectors, it likely will look to similar fora to attract outside investment. Secondly, the event is part of the GOAJ's broader outreach to Muslim states. Baku seeks to cultivate an image of a wealthy, modernizing Muslim state. The policy aims to increase Azerbaijan's value to the West as "bridge" to other Muslim states, while also developing

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beneficial relations with other Muslim states, a policy the GOAJ is advancing through its year-long Chairmanship of the OIC Foreign Ministers Conference. Finally, the conference reflects the GOAJ's broader objective of developing a "multivector" foreign policy orientation that raises Azerbaijan's prestige as a geostrategically important Eurasian country. This orientation is accompanied by Baku's growing confidence in foreign policy matters and a desire to be treated as an "equal" or "peer" by all other states.

¶9. (U) The conference presented several interesting opportunities for investment in the non-energy sectors of its economy. We continue to engage with the GOAJ to explore opportunities for strengthening these non-energy sectors to stave off the effects of "Dutch disease." While the overall business climate remains difficult, several of these projects could provide valuable opportunities for U.S. investors.
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